

Summary of the New Homestead Act (S. 602)

To help renew the promise of the original Homestead Act, and to attract new residents and businesses to rural areas suffering from high out-migration, Senators Byron Dorgan, Chuck Hagel, Tim Johnson and Sam Brownback are sponsoring the New Homestead Act (S. 602), which provides:

I. New Homestead Opportunities for individuals who locate in high out-migration counties*

- **Repay up to 50% of college loans** for recent graduates who live and work there for 5 years (maximum of \$10,000)
- **Provide \$5,000 tax credit for the home purchases** of individuals who locate there for 5 years (or 10% of purchase price, whichever is lower)
- **Protect home values** by allowing any losses in home value to be deducted from federal income taxes
- **Establish Individual Homestead Accounts** to help build savings and increase access to credit
 - individuals can contribute a maximum of \$2,500 per year for up to 5 years
 - government provides a match of 25-100% (depending on income)
 - tax and penalty-free distributions can be made after 5 years for small business loans, education expenses, first-time home purchases, and unreimbursed medical expenses
 - accounts can grow tax-free and all funds are available for withdrawal upon retirement

II. New Incentives for Businesses to expand or locate in high out-migration areas

- **Create Rural Investment Tax Credits** to target investments in high out-migration counties
 - states receive \$1 million of these credits per high out-migration county
 - they allocate these credits to businesses that move to or expand there
 - businesses use these credits to offset the cost of newly constructed or existing buildings
 - over a 10-year period, businesses can use these credits to reduce their taxes by as much as 80% of their total investment
- **Offer Micro-enterprise Tax Credits** to aid small businesses in high out-migration counties
 - states may choose to allocate up to 20-percent of their total rural investment tax credit allocation to qualifying start-up or expanding micro-enterprises with five or fewer employees
 - micro-enterprises would use these credits to offset the cost of new funding needed for business expansion
 - micro-enterprises can use these credits to reduce their taxes by 30-percent of their qualifying new investment (limited to \$25,000 lifetime)
- **Accelerate depreciation for equipment purchases** tied to Rural Investment Tax Credit projects

III. New Homestead Venture Capital Fund to promote business development in high out-migration areas

- **Establish \$3 billion venture capital fund** to invest in businesses in high out-migration counties
 - the fund can guarantee up to 40% of private investments in existing business and start-ups, and up to 60% of such investments in manufacturing or high-technology ventures
 - the fund can take equity positions and extend credit to other approved entities
 - it can provide technical assistance to potential applicants
 - the federal government would invest \$200 million per year for 10 years
 - states and private investors would be required to provide yearly match of \$50 million each

* A high out-migration county is defined as any non-metro county that has suffered net out-migration of at least 10% over the past 20 years

Current co-sponsors of S. 602

Senator Byron L. Dorgan (D-ND)	Senator Chuck Hagel (R-NE)
Senator Tim Johnson (D-SD)	Senator Sam Brownback (R-KS)
Senator Tom Daschle (D-SD)	Senator Norm Coleman (R-MN)
Senator Conrad Burns (R-MT)	Senator Kent Conrad (D-ND)
Senator Mark Dayton (D-MN)	Senator Richard J. Durbin (D-IL)
Senator John D. Rockefeller (D-WV)	Senator Mary L. Landrieu (D-LA)
Senator Zell Miller (D-GA)	

Major groups supporting S. 602

National Association of Counties
National Telecommunications Cooperative Association
National Rural Electric Cooperative Association
National Farmers Union
National Association of Realtors
American Bankers Association
Credit Union National Association
Center for Rural Affairs
... and many more

To learn more about the New Homestead Act contact:

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Senator Tim Johnson 324 Hart Senate Office Building United States Senate Washington, DC 20510 (202) 224-5842 tim_johnson@johnson.senate.gov	Senator Sam Brownback 303 Hart Senate Office Building United States Senate Washington, DC 20510 (202) 224-6521 sam_brownbackl@brownback.senate.gov

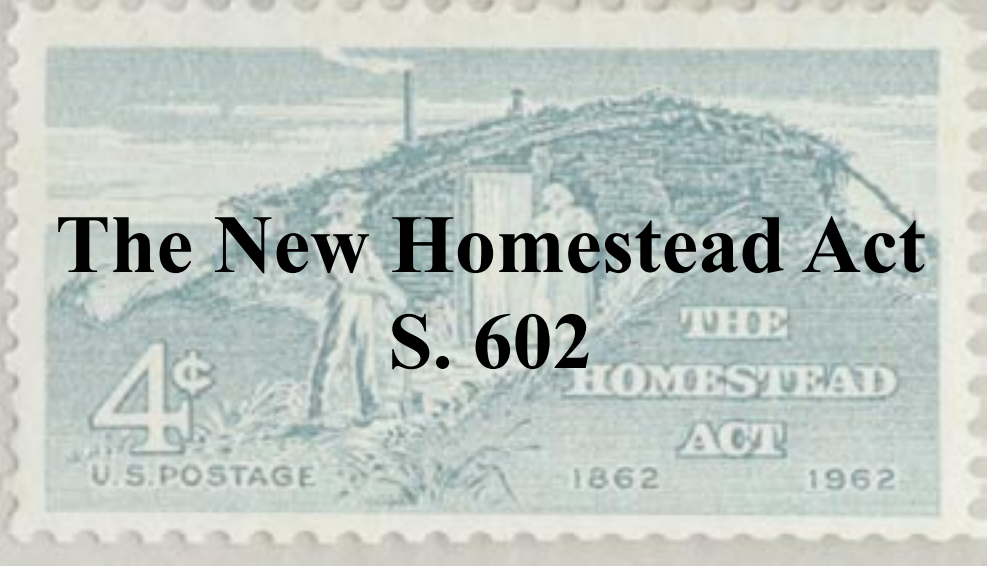
The New Homestead Act has been profiled on *CBS News Sunday Morning* and *Good Morning America*. To learn more about the problem of out-migration, visit the web site of:

The Great Plains Population Symposium
<http://gppop.dsu.nodak.edu/index.asp>

Funded by a special grant from Congress, the Great Plains Population Symposium is a collaborative effort by five universities to bring together the nation’s leading authorities on rural population and development, and to look for new solutions to the problems of out-migration and depopulation in the Great Plains region. The universities involved in this effort include: Dickinson State University, North Dakota State University, Colorado State University, University of Montana, and Iowa State University. Senator Byron Dorgan sponsored the legislation establishing this important initiative.

For additional information about the Great Plains Population Symposium contact:

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Where History Meets Hope and Opportunity

Dear Friend:

For decades, jobs on family farms and in main street businesses in small towns have disappeared from the nation’s Heartland, and so too have many of the people who once held those jobs. From North Dakota to Northern Texas, and from the Rocky Mountains to the mouth of the Missouri River, nearly 70 percent of rural counties on the Great Plains have seen their population shrink by an average of about a third.

But for most Americans, this problem of out-migration of people from America’s Heartland remains hidden by its remoteness. As a result, hundreds of small rural towns are fighting for their very survival, yet most people almost never hear about it nor understand why.

This shouldn’t be the case. Many rural towns and counties suffering from out-migration are among the best places to live in the nation. They have good schools, high levels of civic involvement, and very low rates of crime and violence. Ironically, government spends more time and money trying to emulate these attributes in areas where they don’t exist, than it does trying to preserve them where they do exist – such as in small rural towns.

We want to change that. We want Americans to know what has been happening in the Heartland and why communities there are worth saving. We want to rekindle the spirit of the Homestead Act of 1862 – in which the government, to help populate the country, traded public lands and the promise of opportunity for an individual’s hard work and commitment to improve the land for 5 years. We want to get government to strike a similar bargain now, and to enact policies that offer hope and opportunity to the Heartland once again.

That is why we have introduced the **New Homestead Act of 2003 (S. 602)**. This bill says to a new generation of Americans: If you are willing to live and work, or to start and grow a business, in a rural area fighting against out-migration, we will give you every opportunity to succeed there. We will provide you with added incentives to buy a home, pay for college, and get the financing you need to launch or expand a business.

Years ago, under the original Homestead Act, hope and opportunity met on the Great Plains of America, and the entire country flourished. And they can meet there again.

Senator Byron L. Dorgan North Dakota (D)	Senator Chuck Hagel Nebraska (R)
Senator Tim Johnson South Dakota (D)	Senator Sam Brownback Kansas (R)

THE DECIMATION OF AMERICA’S HEARTLAND

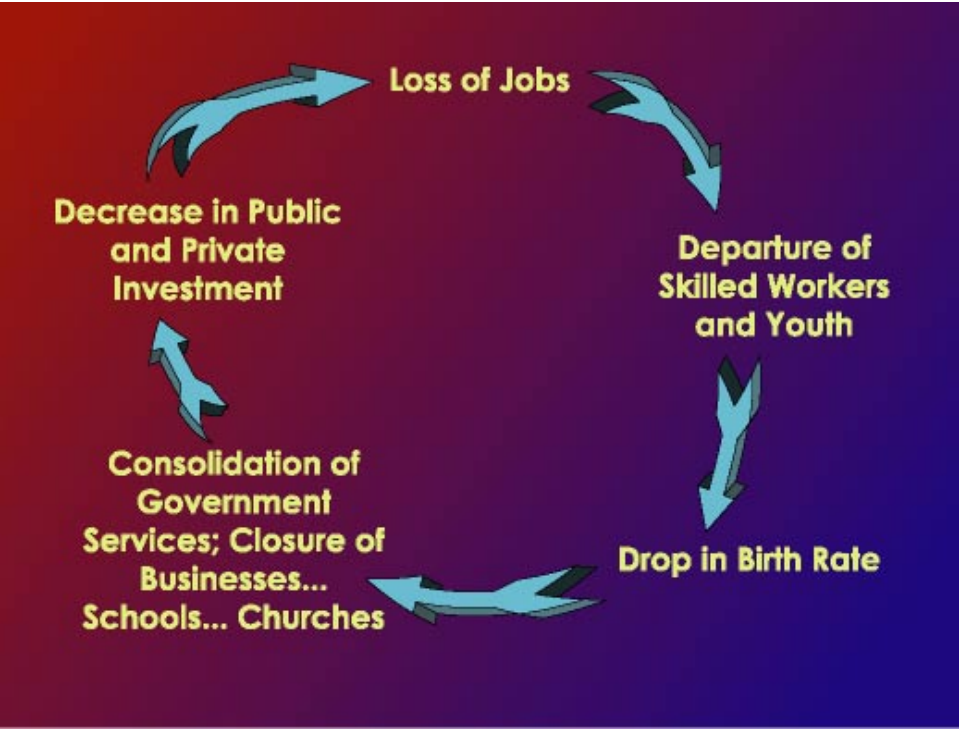
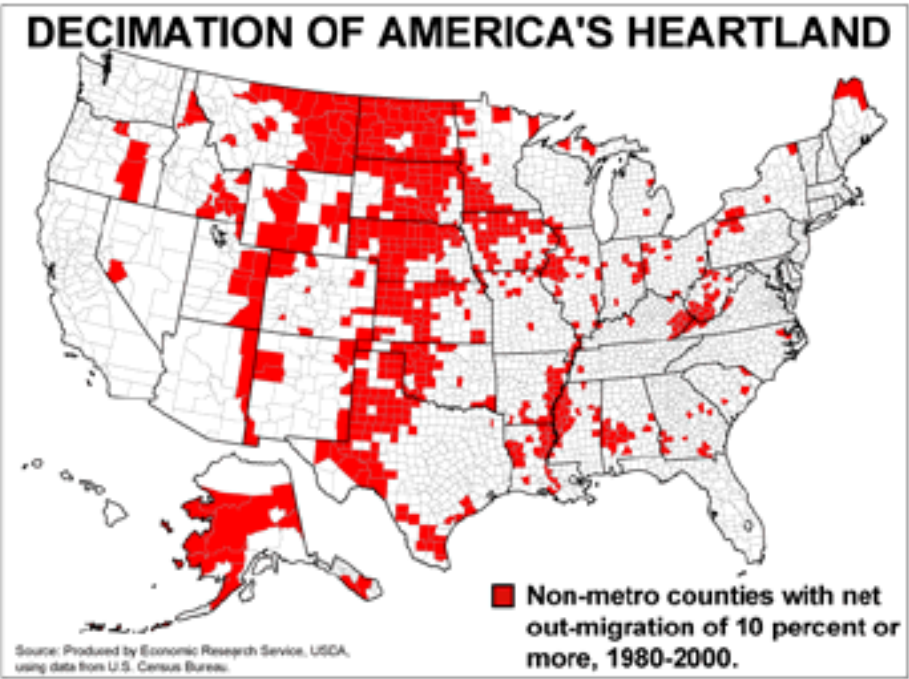
Although America was originally a rural place and most of its people lived and worked on farms and in rural areas, things have changed dramatically over the course of the past century. Hundreds of farming and mining towns that were born during the railroad "boom" of the 1800s have long since gone "bust." And today, after decades of decline, less than 2 percent of the nation’s population live on farms in rural areas, while more than 50 percent live in metropolitan areas of more than a million people.

Consider, for example, that there are nearly twice as many people living in New York City than on all of the nation’s farms combined.

Why such a shift in the nation’s population? Consider that most Americans once held jobs that relied on the production of natural resources (farming, mining, and related industries), but most of them now work in service or technology-oriented industries (customer service or computer programming). And in these industries, employers do not need to be located near the grain elevator or coal mine; they need to have access to large numbers of potential employees with varying skills. As a result, newer industries have concentrated in cities and suburbs, and the large share of jobs that was once in the Heartland has shifted to the cities and suburbs as well.

To put it more simply, technology and other factors have reshaped our national economy. New technologies have allowed American industry, including agriculture, to become so productive that far fewer people and much less money are required to make most products today than were ever thought possible.

With the farm economy and population in serious decline, over the past 50 years, hundreds of thousands of people have left small rural towns in search of opportunities elsewhere. And nearly one third of the nation’s rural counties have seen at least 10 percent of their population depart for other places – literally decimated by the out-migration of people and jobs.



THE CYCLE OF OUT-MIGRATION

What happens to small rural towns when they lose such a large percentage of their population over such a long period of time? A debilitating cycle is set into motion.

The initial loss and lack of jobs in the farm economy starts the first wave of population loss, especially among skilled workers and youth who head to urban areas and beyond in search of work. Their departure increases the average age of the remaining population. Deaths begin to exceed births, and the local population shrinks even further.

With a smaller tax base and fewer customers, key government functions and crucial private sector services become unsustainable. Schools, hospitals, and post offices close or consolidate their services. Grocery stores and restaurants close their doors.

Both public and private investment decrease, or shift from future-oriented investments, such as infrastructure and education of the young, to less productive expenditures, such as income payments to individuals. And over the long-term, this lack of investment contributes to even more people leaving in search of work and opportunities elsewhere, continuing the cycle of out-migration.

These are serious problems. Left unaddressed, a community can reach a point where, because of continued out-migration, it no longer possesses the critical mass it needs to sustain and reproduce itself. And so it begins to decline.

But this doesn’t have to happen. Our government could back a national farm policy that supports a network of family-owned and operated food producers. This would give a much-needed boost to the farm economy.

Government should also do for rural areas what it did for urban areas a generation ago. At the time, our cities were losing people and jobs, and it was viewed as a national crisis. Our leaders called for "urban renewal," ultimately committing billions of dollars to this cause. And this national call to action made a difference.

We can and should do the same for rural towns fighting against out-migration in the Heartland.

THE CASE FOR A NEW HOMESTEAD ACT

History has already provided us a model for how to help communities in the Heartland that are hurting – and that’s the Homestead Act of 1862. Under this Act, to help populate and grow the nation’s Heartland, our government struck a one-time bargain with people who took a chance and moved there. In exchange for a 5-year commitment to stay and work the land, it offered them free public lands and the promise of opportunity.

This pact was a success. And just as important, this Homestead ethic helped foster a sense of community that shaped our nation over the course of the next century and which still exists today.

If we are going to reverse the effects of out-migration, and help bring prosperity back to the Heartland, we need to rekindle this spirit. We need to launch a new and equally bold initiative that inspires a new generation of Americans. And we need to do this not just for the sake of the Heartland, but for all of the nation.

America needs a new Homestead Act as much as the Heartland does. Not just because the country would benefit from a renewal of the Act’s spirit, but because the entire nation would gain from the survival of the region’s strong communities.

By any objective measure, rural towns and counties suffering from out-migration are among the best places to live in the nation. They have great schools, friendly communities, and low crime. But government spends more time and money trying to recreate these conditions where they don't occur than it does trying to maintain them where they already exist.

We believe a new Homestead Act can change that. That is why we are proposing the **New Homestead Act of 2003 (S. 602)**. This bill won’t be able to save every small town or rural county that is struggling, but it should give otherwise strong and viable communities an opportunity to hope and grow again. Here is what it calls for:

- (1) **New homestead opportunities** to help individuals who make a commitment to live and work in rural areas suffering from high out-migration to get a college degree, buy a home, start a business, and build a nest egg for the future;
- (2) **New business tax credits** to help states encourage and reward businesses to locate and expand in high out-migration areas; and
- (3) **A New Homestead Venture Capital Fund** to promote business development and growth in high out-migration areas by making sure they have access to capital.

